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February 17, 2005

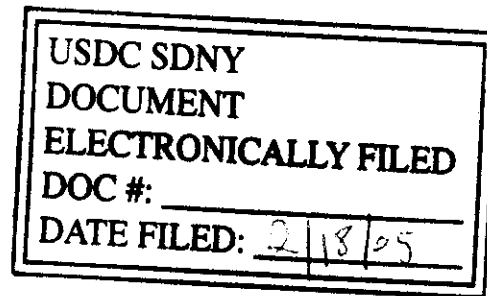
VIA HAND DELIVERY

Honorable Kenneth M. Karas, U.S.D.J.

The Daniel J. Patrick Moynihan Courthouse

500 Pearl Street

New York, New York 10007-1312



Re: **Frontier Insurance Co. v. Dwight Halvorson Insurance Services, et al.,**
04 Civ. 3361 (KMK)

Dear Judge Karas:

We represent plaintiff Gregory V. Serio, Superintendent of Insurance of the State of New York, as both the Rehabilitator of Frontier Insurance Company ("FIC") and Assignee of Platinum Indemnity, Ltd., in the above-referenced matter. We write to update the Court with respect to the ongoing mediation between FIC and defendant Dwight Halvorson Insurance Services, Inc. ("DHIS").

Your Honor will recall that on January 13, 2005, while DHIS's motion to compel mediation was still pending, FIC itself requested mediation of its breach of contract claims against DHIS pursuant to Article 15.1 of the controlling Agency Agreement. The American Arbitration Association subsequently assigned Philip Zimmerman, CPA as the mediator in this matter. (For Your Honor's information, Mr. Zimmerman can be reached at (201) 797-2397.) On February 3, 2005, counsel and Mr. Zimmerman participated in a preliminary conference to discuss, among other things, the nature of the dispute. On February 14, 2005, the parties submitted mediation position statements to Mr. Zimmerman.

Although Article 15.1 of the Agency Agreement calls for any mediation to be concluded within thirty days, the parties have agreed (with Mr. Zimmerman's blessing) to exercise their option to continue the mediation process beyond that thirty-day period in order to pursue detailed, substantive settlement discussions. The parties are scheduled to complete direct settlement negotiations by the end of this month. These direct negotiations are intended to narrow the issues to be addressed with Mr. Zimmerman at the mediation itself. A formal mediation session has been tentatively scheduled for the second week of March 2005. We will promptly advise the Court of any further developments relating to the mediation.

MEMO ENDORSED

Honorable Kenneth M. Karas, U.S.D.J.
February 17, 2005
Page 2

Under the circumstances, we request that the Court continue the stay of that portion of the above-referenced action involving FIC's claims against DHIS in order to facilitate the parties' attempt to resolve their differences amicably. Should Your Honor require any further information in this regard, please let us know.

Respectfully submitted,

William S. Gyves /JK

William S. Gyves (WG 2770)

WSG/jr

cc: Lorienton N.A. Palmer, Esq. (via facsimile)
Philip Zimmerman, CPA (via facsimile)

*Plaintiff's request is GRANTED. Plaintiff's claims
against Defendant DHIS are stayed until March 31, 2005.
The parties are directed to provide the Court with a
status of the mediation on or before that date.*

SO ORDERED

[Signature]
KENNETH M. KARAS U.S.D.J.
2/17/05